Yukon Economic Outlook

February 2014

Yukon
Economic Development

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Economic Forecasting and Risk

This forecast examines medium-term expectations for Yukon's economy, focusing on the anticipated performance of key economic indicators and sectors.

Like all forecasts, the results depend on the information available at the time and the key assumptions used. Careful consideration was taken when developing the key assumptions for the current forecast, such as the level and timing of mining development activity, estimates of annual mineral production or the amount of construction spending. While best efforts were made to include appropriate assumptions there is a degree of risk associated with these assumptions and ultimately the forecast results. Key examples of potential risks to the forecast are noted below:

- Global Economic Performance – While the medium-term prospects for the global economy appear positive, there are no guarantees. The global economy will be influenced by the degree to which the U.S. and European economies recover, the rate at which the Asia Pacific countries continue to expand as well as unrest in parts of the world, such as the Middle East.

- Metal Prices – Metal prices are a key determinant of mining activity (exploration, development and production) and are determined on the global market. Projections of several leading forecasting firms were used in preparing this forecast.

- Energy Prices – Like metal prices, energy prices are determined on the world market. For Yukon, the price of oil can influence economic activity particularly in how it can impact mining sector activity (fuel for project operations and equipment) as well as impact tourism activities (fuel for travelers' vehicles). The price of fuel also influences the cost of Yukon construction.

- Natural Gas Prices – The current forecast does not include the development of natural gas resources in Yukon and assumes that the contribution of natural gas to the overall economy will remain at relatively low levels. If natural gas prices were to be stronger over the outlook period than what is currently forecast, it could lead to increased exploration efforts in Yukon and contribute to further development.

- Exchange Rates – The value of the Canadian dollar versus other currencies can impact spending decisions by tourists and also investment decisions by resource-based companies, such as those exporting minerals to outside markets. A strengthening or weakening dollar may affect this forecast.

- Interest Rates – A potential threat to economic growth in Yukon, and in Canada as a whole, is a significant increase in interest rates. The cost of borrowing in Canada has been very low for a prolonged period, with the Bank of Canada's daily overnight target for the bank rate not exceeding 1.0 per cent since January 19, 2009. This forecast assumes that interest rates will remain relatively low for the foreseeable future.

Circumstances that impact the assumptions of a forecast can change rapidly, and forecasts can become dated. Yukon is a prime example of a small economy that can be quickly influenced by outside events. Information in this forecast is current to January 24, 2014.

Highlights for 2013

- GDP is forecast to have increased by 1.0 per cent, marking 10 consecutive years of growth.
  - Weakness in mineral prices and a general slowdown in the global mining industry contributed to less activity in a variety of areas of Yukon's mining sector with exploration, production and development activities all negatively impacted in 2013.
- Population is estimated at 36,700, posting growth for the tenth straight year.
- The labour market performed well in 2013:
  - Total employment averaged 19,300, up 400 from 18,900 in 2012.
  - The labour force averaged 20,400, matching the record level reported for 2012.
  - The unemployment rate averaged 5.4 per cent, down from 6.9 per cent in 2012.
- Retail sales in 2013 are forecast to have fallen to $655 million, the first annual decline since 2009.
- Border crossings are estimated to have grown by 7.6 per cent, to a record 345,510.
- Building permit value is forecast to have decreased to $80 million, with declines in both residential and non-residential permits.
- Housing starts are estimated at 240 units in 2013, down from 2012, but above historic averages.
- Change in the Consumer Price Index (CPI) for Whitehorse measured 1.6 per cent in 2013.

Forecast for 2014

- GDP is forecast to grow by 3.3 per cent in the year ahead.
- The expectation is that growth will be fueled by higher production at current producing mines and expenditures related to mine development, as well as other construction activity.
  - Exploration spending is expected to be similar to that recorded in 2013.
  - Development expenditures are expected to increase slightly to $100 million.
  - The value of mineral production should, once again, surpass $500 million.
- Population is expected to grow to 37,200.
- Gains are expected in both employment and labour force, but slightly stronger growth in the labour force should result in a slight increase in the unemployment rate to 5.7 per cent.
- Retail sales are expected to increase to more than $680 million.
- Border crossings are expected to grow to 350,000, representing the third straight year of growth.
- Building permits value is expected to post modest growth and total about $85 million.
  - Expected activities include the F.H. Collins School replacement in Whitehorse, continued development of the Whistlebend subdivision and new mine development in Yukon.
- Change in the CPI for Whitehorse is expected to measure 2.1 per cent in 2014.

Global, U.S. and Canadian Outlook

The second half of 2013 saw strengthened global economic activity and increased world trade. The latest estimates from the International Monetary Fund (IMF) have global growth in the fourth quarter of 2013 up 3.3 per cent from the fourth quarter of 2012.[1] The IMF noted in its January 2014 update that global growth in the last six months of 2013 was stronger than previously anticipated.

Current forecasts have growth in emerging market and developing economies, such as China and India, continuing to be stronger than that of growth in advanced economies, but with growth in advanced economies such as the United States and the euro area picking up steam in the near-term.

The most recent update to the World Economic Outlook estimates that global economic growth in 2013 was 3.3 per cent, slightly higher than the 3.1 per cent growth noted for 2012. The IMF is calling for stronger growth of 3.7 per cent and 3.9 per cent for 2014 and 2015, respectively.

Emerging market and developing economies saw growth of 4.7 per cent in 2013 and are currently forecast to grow by 5.1 per cent and 5.4 per cent for 2014 and 2015, respectively. China and India continue to lead the way in this region. With estimated growth of 7.7 per cent in 2013, China's economy is expected to grow 7.5 per cent and 7.3 per cent over the next two years. In India, growth of 4.4 per cent is estimated for 2013, followed by 5.4 per cent and 6.4 per cent growth forecast for 2014 and 2015, respectively.

Advanced economies are estimated to grow by 1.3 per cent in 2013, 2.2 per cent in 2014 and 2.3 per cent in 2015. The expectation of higher growth for advanced economies is directly related to improved prospects for U.S. growth. Following relatively weak growth of 1.9 per cent in 2013, continued improvement in domestic demand is expected to contribute to stronger U.S. growth rates of 2.8 per cent and 3.0 per cent in 2014 and 2015, respectively.

Following estimated contraction of 0.4 per cent in the euro area in 2013, growth prospects are improving with growth of 1.0 per cent in 2014 and 1.4 per cent in 2015 now expected. The IMF notes that the recovery in Europe is expected to be "uneven" though signs are positive in core countries, such as Germany and France.

For Canada, the IMF estimates growth of 1.7 per cent in 2013, followed by increased growth of 2.4 per cent and 2.2 per cent in the subsequent two years. Canadian growth is largely linked to the economic recovery in the U.S., the country's largest trading partner.

Bank of Canada forecasters are consistent with the most recent IMF forecast. The Bank's most recent estimates project 1.8 per cent growth for Canada in 2013, with expectations for growth of 2.5 per cent for both 2014 and 2015. This improving outlook is related in part to the expectation of stronger U.S. demand, as well as the recent depreciation of the Canadian dollar, helping to increase exports and, in turn, business confidence and investment. The Bank also noted that the Bank's expectation of a soft landing for housing in Canada as well as stabilization of household indebtedness is being supported by recent data, which also supports the expectations for growth in the near-term.[2]

Given the importance of resource extraction, the performance of Canada's economy is largely linked to commodity price performance. For mineral prices, as has been the case for most of 2013, the outlook for commodities in the near-term is mixed. Many forecasters are calling for the prices of gold, silver and copper to generally be weak in 2014 and 2015 which is expected to continue to create challenges for Canada's mining sector. For nickel and zinc, prices are expected to post gains in 2014 and 2015, with prices for nickel expected to post strong growth in both years.

The outlook for oil and natural gas prices is also mixed, with many forecasters calling for oil prices to remain relatively stable over the next couple of years. After being depressed for an extended period of time, natural gas prices are expected to post gains in the near-term, with prices expected to post year-over-year gains in both 2014 and 2015.

Interest rates can have an impact on economic growth. Borrowing rates in Canada have been very low for an extended period of time with the overnight rate at 1.0 per cent since September 2009. This rate was maintained by the Bank of Canada during its interest rate announcement on January 22, 2014, at which time the Bank noted that "although the fundamental drivers of growth and future inflation appear to be strengthening, inflation is expected to remain well below target for some time, and therefore the downside risks to inflation have grown..."[3] With deflation emerging as a potential concern, the Bank of Canada will likely continue to maintain low interest rates into 2015.

Outlook for Global, U.S. and Canadian Economies

According to the IMF update to the World Economic Outlook (January 2014):

- Global Growth – 3.7 per cent (2014) and 3.9 per cent (2015);
- U.S. Growth – 2.8 per cent (2014) and 3.0 per cent (2015); and
- Canadian Growth – 2.2 per cent (2014) and 2.4 per cent (2015).

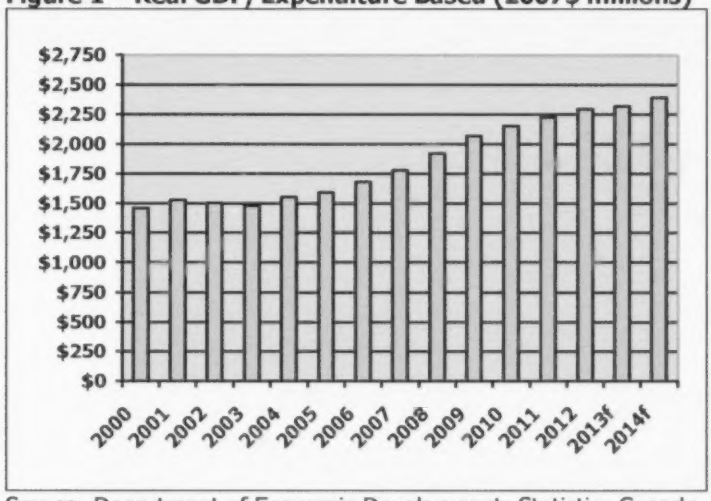
Recent Performance and Short-term Outlook

PART A: Economic Indicators

Gross Domestic Product

As of data released on November 8, 2013, Yukon's real GDP grew by 3.1 per cent in 2012, marking nine consecutive years of growth.

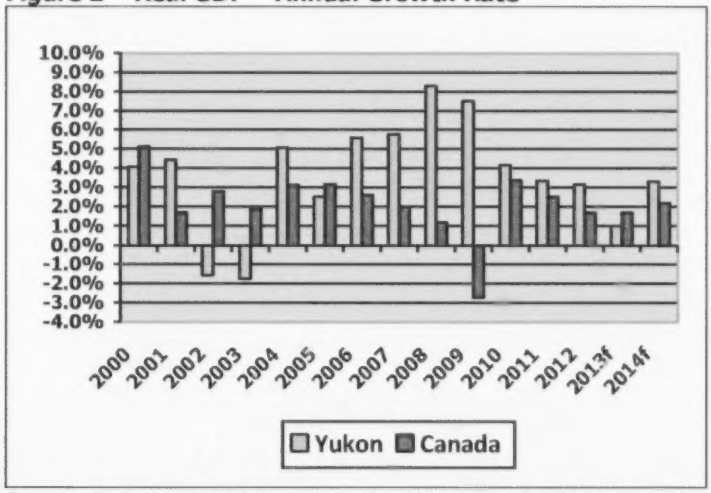
Figure 1 – Real GDP, Expenditure Based (2007$ millions)



Source: Department of Economic Development; Statistics Canada

Yukon's 2012 estimated growth rate was almost double the national growth rate of 1.7 per cent and was the highest of any Canadian jurisdiction except Alberta (3.8 per cent growth).

Figure 2 – Real GDP – Annual Growth Rate

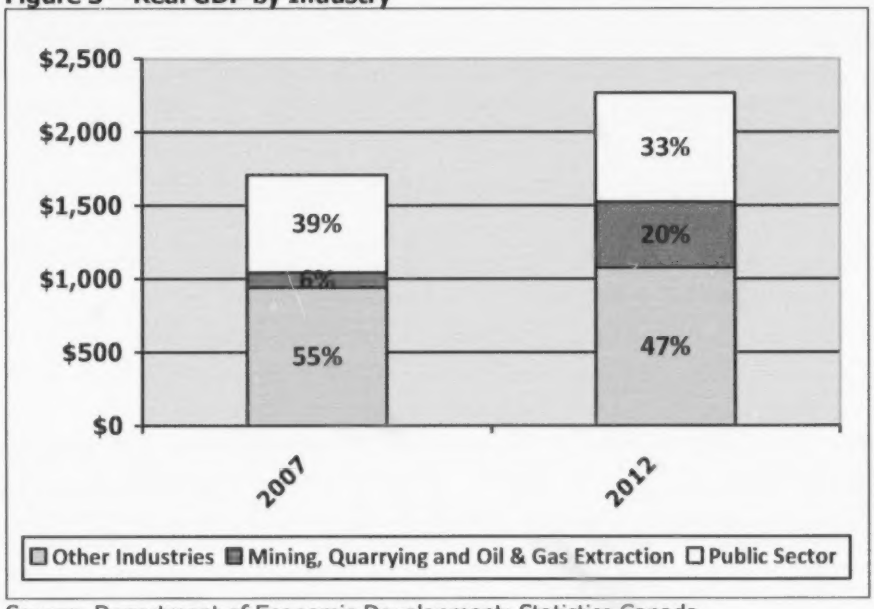


Source: Department of Economic Development; Statistics Canada; International Monetary Fund

Recent economic growth has been fueled by activity in all phases of the mining cycle. On the production side, for example, Yukon now has three mines – Minto (2007), Bellekeno (2011) and Wolverine (2012). Larger scale mining activity had previously ceased with the closure of the Faro mine in 1998. In terms of exploration, recent activity has also been robust, with exploration expenditures growing from a low of $7.4 million in 2002 to a peak of $331.7 million in 2011.

Interestingly, the composition of Yukon's economy is changing. As of 2012, the category known as mining, quarrying and oil & gas extraction accounted for more than 20 per cent of real GDP, up significantly from the 6 per cent estimated for 2007[4] (see Figure 3).

Figure 3 – Real GDP by Industry



Source: Department of Economic Development; Statistics Canada

Following modest growth estimated for 2013, the short-term outlook for Yukon's economy is one of stronger growth in 2014.

Overall, GDP growth for 2013 is estimated at 1.0 per cent, representing the weakest growth in Yukon in recent history. A modest increase in mineral production is noted as accounting for the GDP growth in 2013, but production gains were below expectations due to lower than anticipated production from Yukon's three operating mines (see mining discussion later in this paper for further details).

Looking ahead to 2014, stronger growth of 3.3 per cent is anticipated for 2014. While production of silver and lead is expected to be negatively impacted by the continued suspension of production of the Bellekeno mine, growth in annual production at both the Wolverine and Minto mines is expected to contribute to an overall increase in mineral production, resulting in a positive impact on Yukon's GDP.

As well, the commencement of construction activities at the FH Collins School in Whitehorse, continued development of the Whistlebend subdivision, expenditures related to road development and maintenance, improvements to the Erik Nielson Whitehorse International Airport along with anticipated development expenditures related to the Eagle Gold project are expected to provide positive contributions to growth in 2014.

Preliminary estimates for 2015 currently point to much stronger growth, fueled by resumed production in the Keno Hill District, development spending at the proposed Victoria Gold mine and Carmacks Copper mine, further development of the Whistle Bend subdivision and continued construction at the FH Collins School.

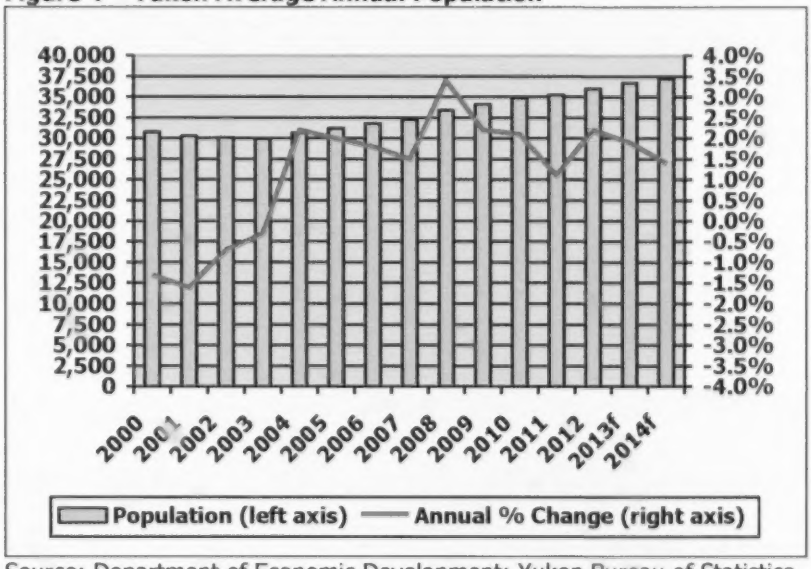
Outlook for GDP

- Even in light of difficulties in the mining sector, the current expectation is for Yukon's GDP to post growth for the tenth consecutive year in 2013.
- The expectation of higher mineral production at current producing mines, expenditures related to mine development and other construction activity are forecast to contribute to GDP growth of 3.3 per cent in 2014 and stronger growth in 2015.

Population

Yukon is currently in a period of population growth, with 2012 marking the ninth consecutive year of population gains. Average annual population in 2012 was 36,023, the highest average population ever recorded.[5]

Figure 4 – Yukon Average Annual Population



Source: Department of Economic Development; Yukon Bureau of Statistics

The June 2013 population estimate for Yukon was 36,740, which represents a 2.8 per cent increase from the June 2012 estimate of 35,723. The City of Whitehorse – at 28,009 in June 2013 – accounted for 76 per cent of Yukon's population. As a goods and services hub for other Yukon communities and also for the local mining industry, this trend is expected to continue.

Population growth is anticipated to continue in the near-term with gains of 1.9 per cent and 1.4 per cent for 2013 and 2014, respectively. By 2015, Yukon's population is anticipated to approach 38,000.

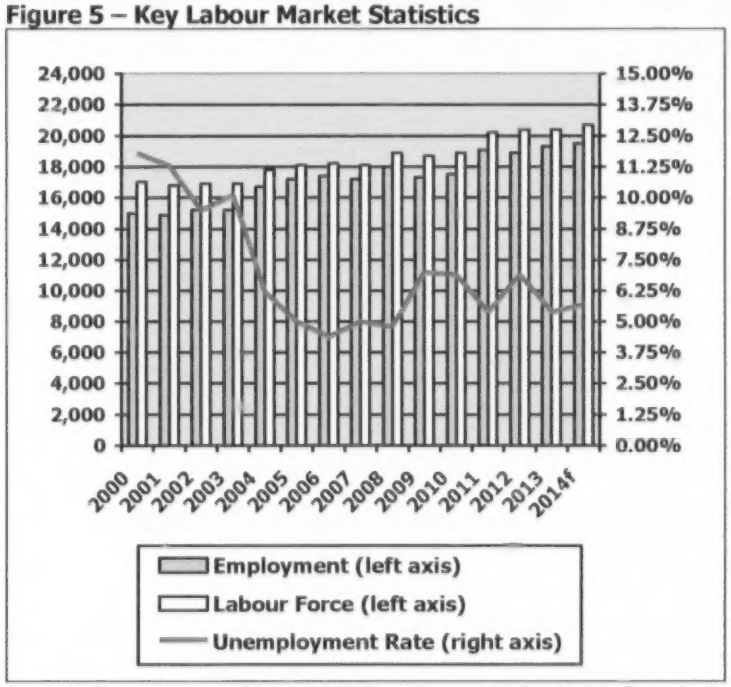
Outlook for Population

- Yukon's population is expected to average to 36,700 in 2013.
- Yukon's population should grow further in 2014, by 1.4 per cent.
- Yukon's average annual population is expected to approach 38,000 in 2015.

Labour Market

Yukon's growing economy has been reflected in the strong performance of labour market indicators. Recent years have seen Yukon's labour force and employment reach record highs along with an annual unemployment rate that has generally remained low.

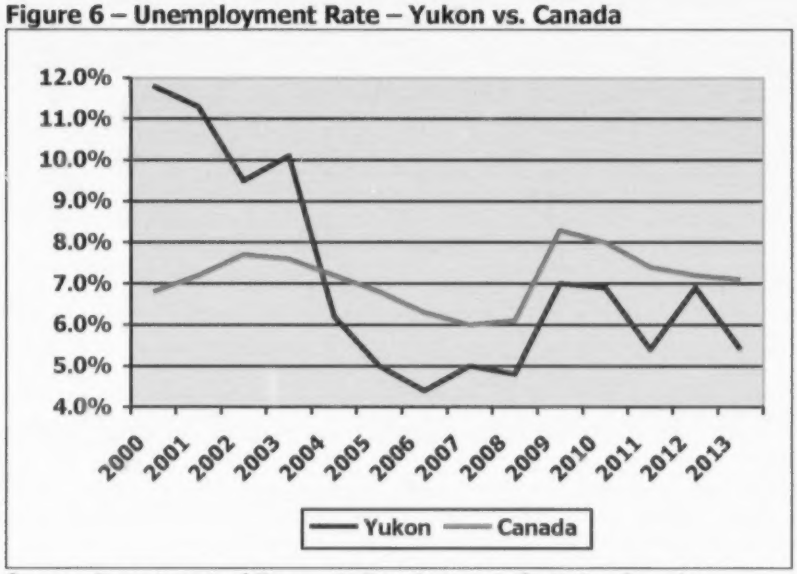
Figure 5 – Key Labour Market Statistics



Source: Department of Economic Development; Statistics Canada

Since 2003, Yukon's annual unemployment rate, while variable from year to year, has generally been trending downward. For the period 2004 to 2012, Yukon's unemployment rate averaged below six per cent, lower than the national average of seven per cent reported for the same period (see Figure 6).

Figure 6 – Unemployment Rate – Yukon vs. Canada



Source: Department of Economic Development; Statistics Canada

After posting record highs for total employment in 2011 and total labour force in 2012, Yukon's labour market continued to perform well in 2013. Employment in Yukon averaged 19,300 in 2013, up 400 from 18,900 in 2012. The forecast has Yukon employment growing to 19,500 in 2014 before posting further growth in 2015.

Yukon's labour force averaged 20,400 in 2013, matching the record level reported for 2012. It is anticipated that Yukon's labour force will return to growth in 2014 with the current forecast of Yukon's average annual labour force growing to 20,700 in 2014, and further still in 2015.

The unemployment rate in 2013 averaged 5.4 per cent, well below the 2012 average of 6.9 per cent and similar to the rate recorded in 2011. Gains are expected in both employment and labour force in 2014, but stronger growth in the labour force should result in a slight increase in the unemployment rate to 5.7 per cent. Yukon's unemployment rate is expected to decline in 2015.

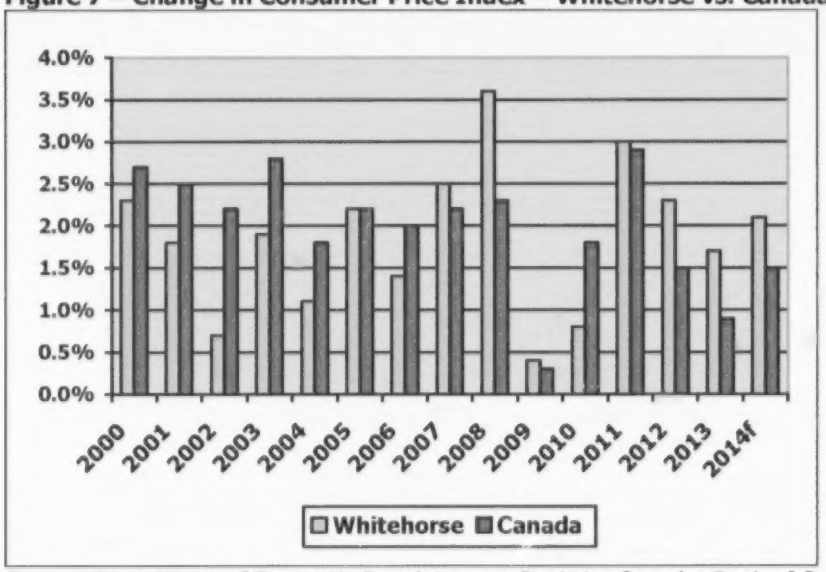
Outlook for the Labour Market

- Employment is expected to grow 1.1 per cent in 2014.
- Labour force to grow 1.4 per cent in 2014.
- The unemployment rate is expected to increase to 5.7 per cent in 2014.

Consumer Price Index

Annual change in the Whitehorse Consumer Price Index (CPI)[6], used as an indicator of price inflation, has generally been low in recent years. For 2000 to 2012, change in Whitehorse CPI averaged about 1.8 per cent, below the 2.1 per cent in Canada for the same period.

Figure 7 – Change in Consumer Price Index – Whitehorse vs. Canada



Source: Department of Economic Development; Statistics Canada; Bank of Canada[7]

In 2013 the Whitehorse CPI grew 1.7 per cent. The largest year-over-year increases were recorded in Shelter (3.0 per cent), Transportation (1.7 per cent), Food (1.7 per cent) and Alcoholic Beverages and Tobacco Products (1.6 per cent). Shelter costs were influenced by a 4.7 per cent increase in Water, Fuel and Electricity.

While the majority of the components of the Whitehorse CPI recorded gains in 2013 a 2.0 per cent decline in the Clothing and Footwear component offset some of the annual increase.

Growth in 2014 for the CPI for Whitehorse is expected to be stronger with growth of 2.1 per cent expected.

Outlook for CPI

- For 2013, change in the Whitehorse CPI is estimated at 1.7 per cent.
- Looking ahead to 2014, 2.2 per cent growth is expected.

Part B: Economic Sectors

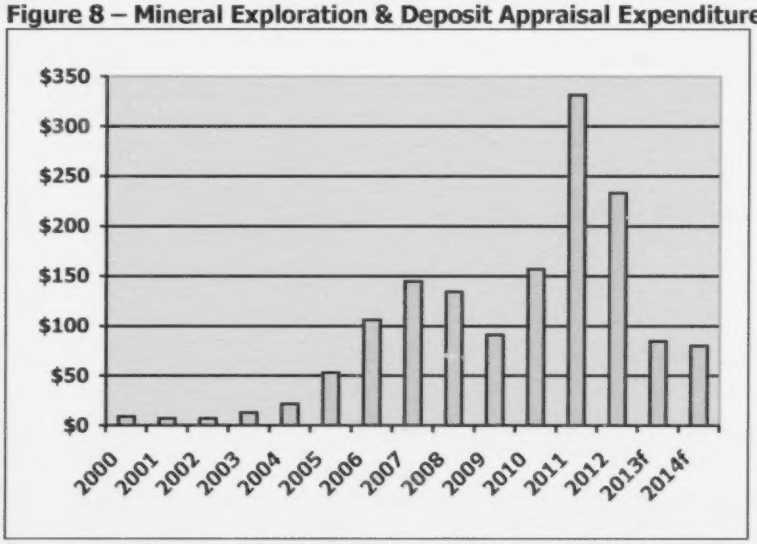
Mining

Following a period of significant activity that included record high exploration expenditures and the development of three new mines, weakness in mineral prices and a general slowdown in the global mining industry contributed to headwinds for Yukon's mining sector in 2013. The result was less activity in a variety of areas, including exploration, production and development.

Mineral Exploration

Natural Resources Canada's (NRCAN) latest Survey of Mineral Exploration, Deposit Appraisal and Mine Complex Development Expenditures, indicates that mineral exploration and deposit appraisal expenditures[8] in 2013 fell to about $85 million, the lowest level since 2009 and well below the record estimate of $332 million for 2011.

Figure 8 – Mineral Exploration & Deposit Appraisal Expenditures ($ millions)



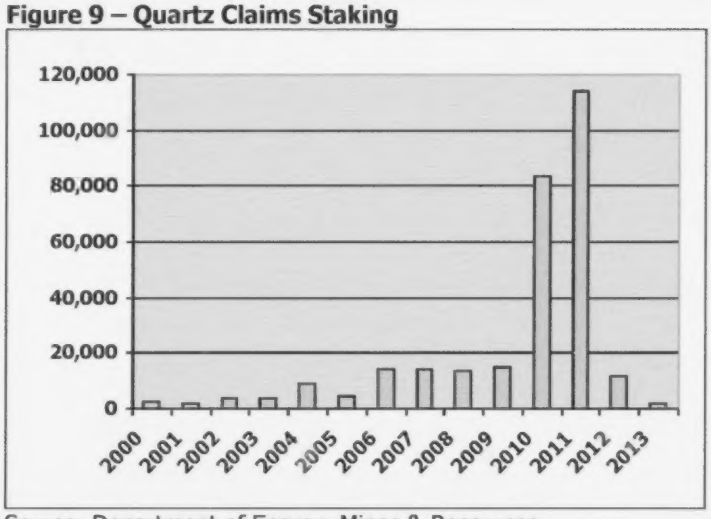
Source: Department of Economic Development; Natural Resources Canada

Lower mineral prices, uncertainty related to global demand for mineral resources and increased difficulty raising funds for exploration activities contributed to a number of companies reducing their exploration budgets in 2013. While overall expenditures in 2013 were down, exploration for precious metals continued to dominate the exploration activity accounting for nearly 78 per cent of total spending.

The past two years have also seen lower levels of claims staking in Yukon. After nearly 200,000 combined claims staked in 2010 and 2011, staking fell to below 12,000 in 2012, a number which is generally more in-line with historic levels of claims staking.

For 2013, with less than 2,000 claims staked, this will mark the first time since 2005 that annual claims staking fell below 10,000. Even with far lower claims staking in Yukon, over 226,000 quartz claims were in good standing at the end of 2013.

Figure 9 – Quartz Claims Staking



Source: Department of Energy, Mines & Resources

Ongoing weakness in global demand for minerals is expected to continue to dampen mineral prices. Given the prevalence of junior mining companies in Yukon, the near-term prospects for exploration spending are not great, as it is these companies that have the most difficulty raising financing in times of weak mineral prices. Assuming no significant improvement in the outlook for mineral demand, the current outlook is for generally weak exploration activity in 2014 and likely into 2015. For 2014, the current exploration spending forecast is for spending to be near NRCAN's 2013 estimate of $85 million.

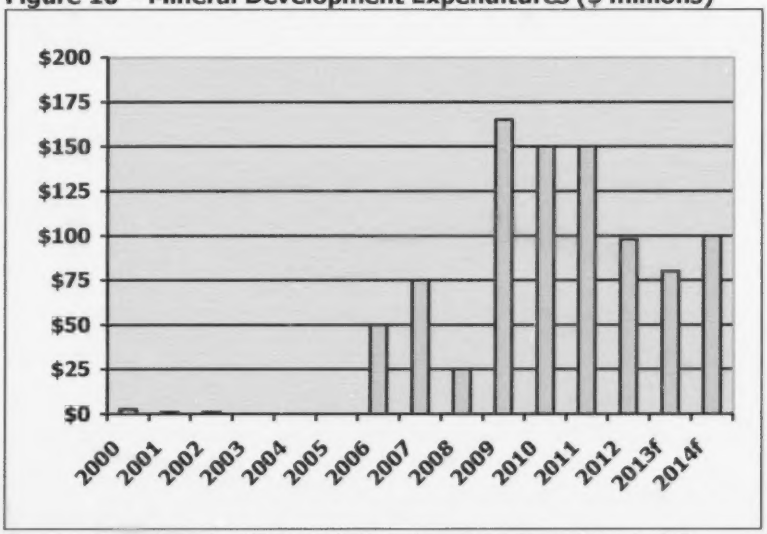
Mining Development

The development of the Minto, Bellekeno and Wolverine mines has contributed to significant development activity in recent years with estimated expenditures of at least $150 million annually for the period 2009 to 2011 and over $700 million in total development expenditures from 2006 to 2012.

Weakness in global mineral prices and concerns about future demand have negatively impacted the outlook for development but recent announcements by companies operating in Yukon indicate the possibility of near-term development activities.

Alexco Resource Corporation noted weakening mineral prices as a motivating factor for the postponement of the commissioning of its production-ready Onek Mine and the decision not to pursue development of the Lucky Queen mine. However, the company's most recent National Instrument 43-101 compliant Preliminary Economic Assessment (PEA) is positive news for near-term development. The PEA outlined the construction and operation of a new underground mine and associated production facilities at its Flame & Moth silver deposit and also the return to production at the Bellekeno mine, as well as production from the Lucky Queen deposit.[9] The PEA also noted initial capital requirements of approximately $25 million for 2014 to establish underground infrastructure at the Flame & Moth deposit, upgrade the mill and other facilities, and re-commission the Bellekeno mine.

Figure 10 – Mineral Development Expenditures ($ millions)



Source: Department of Economic Development; Department of Energy, Mines & Resources

Victoria Gold Corporation also acknowledged that current market conditions impacted its plans for development of its Eagle Gold project, announcing in May 2013 that "equity markets remain seriously challenged and have resulted in a severely undervalued share price relative to the project value."[10] At the time, Victoria Gold Corporation's board of directors and management determined that an equity raise to support major on-site construction activity in 2013 was not in the best interest of shareholders. The proponent did indicate that it would work to ensure that the project would be in a position to facilitate a quick and efficient site mobilization in 2014.[11]

While weak global mineral demand remains a challenge, Victoria Gold Corporation's receipt of a quartz mining license in September 2013 is positive news for development as it now places the project proponent in a position to begin construction (a Water Use License is expected in 2014). The company is indicating it is acquiring all necessary licences to allow for production in 2015.[12] Current expectations are that development activities will begin later in 2014 with the bulk of development in 2015.

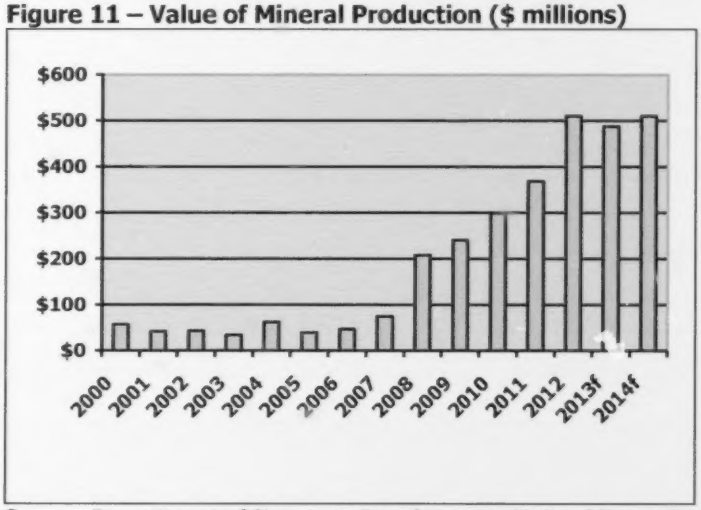
Capstone Mining Corporation, buoyed by stable copper prices, continued with its expansion of underground operations at the Minto mine in 2013. Capstone Mining Corporation estimated development spending in 2013 at $50 million (half of all Yukon development spending last year).

The current expectation is for development expenditures to increase slightly to $100 million in 2014, with anticipated development of the Eagle Gold project later in 2014 along with spending by Alexco Resources Corporation in the Keno Hill district accounting for the majority of spending. While a smaller scale project, spending related to development of the Whitehorse Copper mine site by Eagle Industrial Minerals Corporation is also expected to contribute to development activities in 2014. Beyond 2014, the current forecast includes development activities ramping up on the Eagle Gold project in 2015 along with the beginning of development activities at the Carmacks Copper project. If these projects move forward as currently anticipated, development expenditures will increase significantly in 2015.

Mineral Production

Yukon has seen significant mineral production in recent years make a sizeable contribution to its GDP. Weaker metal prices in 2013 and the expectation that prices will not rebound in 2014 contributed to lower than expected production in 2013 and a downgrade of previous expectations for 2014.

Figure 11 – Value of Mineral Production ($ millions)



Source: Department of Economic Development; Natural Resources Canada

On June 27, 2013, Yukon Zinc Corporation announced a reduction in both its production (40 per cent) and its project workforce (30 per cent) at the Wolverine mine, due to falling zinc and silver prices and as a measure to reduce costs.[13] In September, production was subsequently increased to 75 per cent of processing capacity and personnel required to sustain the production increase were recalled.[14]

At the Bellekeno mine, lower metal prices and cost concerns contributed to Alexco Resources Corporation's July 17, 2013, announcement to suspend operations, effective September 1, 2013.[15] This announcement resulted in layoffs for over 100 employees, both direct and contract workers. As noted previously, the company's December 2013 Preliminary Economic Assessment (PEA) is positive news for the resumption of production – and expansion of operations – at the Bellekeno mine site.[16]

Even with lower than previously expected production from all three Yukon mining projects, production of all minerals – with the exception of lead – increased on an annual basis in 2013. This production increase was led by higher daily rates at Wolverine prior to its production scale-back and an increase in copper production at the Minto mine.

The forecast for mineral production in 2014 is mixed. Production of gold, copper, and zinc are expected to increase on a year-over-year basis (Minto and Wolverine), while silver and lead should decline (Bellekeno). Looking beyond 2014, mineral production is expected to increase in 2015 with the resumption of production at the Bellekeno mine expected to be the primary contributor to mineral production growth.

The reprocessing of tailings at the Whitehorse Copper mine site to recover magnetite is expected to commence later in 2014. The expectation is that this project would see annual magnetite production

of 250,000 to 350,000 tonnes for six to seven years. The project would operate for six to seven months a year during the snow-free season and employ over 20 people seasonally. It would also involve reclamation of the site for possible future industrial development.[17]

Table 1 – Mineral Price Forecasts

		Gold (US$/oz.)	Silver (US$/oz.)	Copper (US$/lb.)	Nickel (US$/lb.)	Zinc (US$/lb.)	Lead (US$/lb.)
Average Price (Actual)	2013[18]	$1,412	$23.84	$3.33	$6.82	$0.87	$0.97
World Bank[19]	2014	$1,360	$22.70	$3.20	$6.80	$0.98	$0.96
	2015	$1,350	$22.80	$3.18	$7.26	$1.00	$0.98
BMO Capital Markets[20]	2014	$1,250	$20.50	$3.25	$6.80	$0.89	n/a
	2015	$1,200	$20.50	$3.10	$7.40	$0.90	n/a
TD Economics[21]	2014	$1,173.75	$18.16	$3.23	$7.43	$1.11	n/a
	2015	$1,281.25	$19.81	$2.90	$7.50	$1.13	n/a
CIBC Economics[22]	2014	$1,000	$17.00	$3.70	$7.00	$0.95	n/a
	2015	$1,100	$19.00	$3.90	$7.25	$1.05	n/a
Average Price (Forecast)	2014	$1,196	$19.59	$3.35	$7.01	$0.98	n/a
	2015	$1,233	$20.53	$3.27	$7.35	$1.02	n/a

Placer gold will also continue to be an important contributor to Yukon's mining sector going forward. Production in 2013 is estimated at 56,563 ounces, up over 9 per cent from 51,679 ounces in 2012, and the highest level of placer production since 2007. At over 56,000 ounces, production in 2013 remained high, even in light of retreating gold prices throughout the year. The resilience of Yukon placer gold producers in 2013 suggests that production will remain relatively strong, with production of 57,000 ounces forecast for 2014.

Estimated mineral production in 2013 is expected to measure just below $500 million, after estimates of about $510 million in 2012. Current expectations are for the value of mineral production to rebound in 2014, to about $510 million. Looking to 2015, Yukon's total mineral production value is expected to benefit from the resumption of Bellekeno production and increased production from the Wolverine and Minto mines resulting in the value of mineral production potentially increasing to over $800 million.

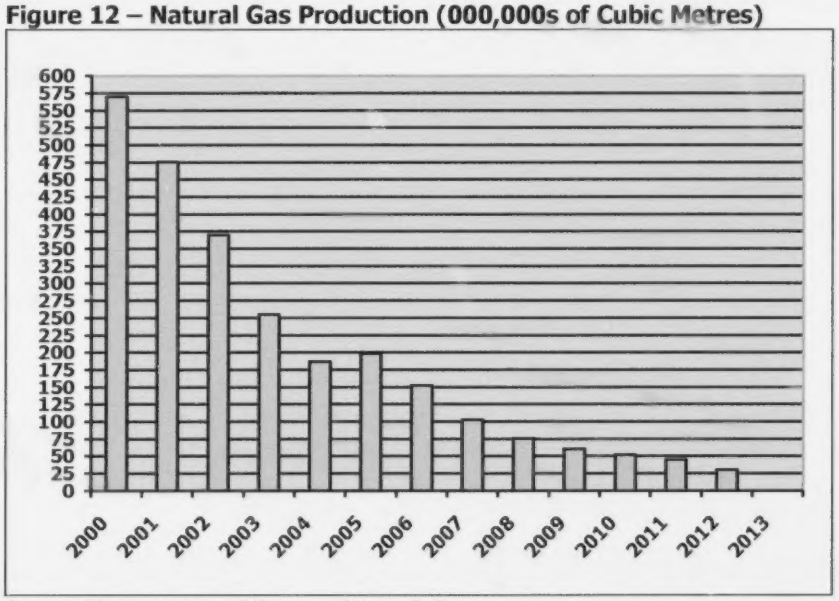
Outlook for Mining

- Exploration spending in 2014 is expected to be similar to the level recorded in 2013, which marked the lowest annual level of exploration expenditures recorded since the mid-2000s.
- Development expenditures are expected to increase slightly to $100 million in 2014 with the start of development of the Eagle Gold project and with spending in the Keno Hill district.
    - Beyond 2014, the current forecast includes further development activities related to Eagle Gold, along with the beginning of development activities at the Carmacks Copper project.
- Current assumptions for mineral production would see the value of mineral production to once again eclipse $500 million in 2014, before growing significantly in 2015.

Oil & Gas

Natural gas production in Yukon began at Kotaneelee in 1977. Since peaking at 630 million cubic metres in 1999, Yukon's production of natural gas from this field has been on a downward trend (see Figure 12).

Figure 12 – Natural Gas Production (000,000s of Cubic Metres)



Source: Department of Energy, Mines & Resources

Production at Kotaneelee ceased in September 2012 due to declining flow pressures and resulting water build up in the producing well. Currently there are plans by EFL Overseas Inc. (EFLO) for development and resumption of production from Kotaneelee. EFLO, which has a 54 per cent working interest in the Kotaneelee field,[23] has plans to re-commission wells B-38 and L-38 in 2014, assuming a successful completion of the review of its project proposal by the Yukon Environmental & Socio-economic Board (YESAB). Production from these wells accounted for almost half of the natural gas produced from the field between 1979 and 2012.

Other activities in 2014 would include the commencement of drilling of a new well in July, followed by a second new well in early winter. EFLO's spending on work in 2014 is estimated at $25 million, but expenditures are linked to the YESAB review. By the first quarter of 2015, EFLO hopes to have four wells in production.

There is also interest in natural gas development in the Eagle Plain Basin in North Yukon. Supported by investment from China National Offshore Oil Corporation (CNOOC), Northern Cross (Yukon) Limited has recently spent more than $80 million[24] on a major exploratory drilling program resulting in the drilling of four wells, two in 2012 and two in 2013. Currently Northern Cross is undertaking a $17-$20 million 3D seismic program in the area.[25] This program began in October 2013 and is expected to be completed by late winter or early spring 2014.

The Vuntut Gwitchin Limited Partnership (VGLP), on behalf of four northern First Nations, is also pursuing options to commercialize Eagle Plain gas. A study to assess the viability of oil & gas development in the Eagle Plain region, jointly funded by the VGLP, the four First Nations, the Government of Yukon and the Canadian Northern Economic Development Agency (CanNor),[26] was completed in 2013.

For some time development of Yukon natural gas was noted as being tied to development of two proposed northern natural gas pipelines – the Alaska Highway Pipeline Project and the Mackenzie Gas Project. While these projects could still see development, the ongoing push to develop unconventional gas resources in the United States has diminished the economic rationale for these projects and the likelihood of development in the near-term.

Development of shale gas became possible through the application of hydraulic fracturing and horizontal drilling, which has allowed for the development of large natural gas reserves. Substantial shale gas reserves in proximity of major consuming markets in the United States has also made development of shale gas appealing, especially to those who call for increased U.S. energy security and less reliance on energy resources from other countries.

Ultimately, the future of the development of Yukon natural gas resources depends on the performance of natural gas prices which, until recently, had been depressed for quite some time. If prices were to continue to trend upward during 2014 and beyond, it could result in increased exploration and development efforts thereby more interest in the development of local natural gas resources.

Two other natural gas issues of significance emerged in the past year and impact the forecast for 2014. First, in August 2013 Yukon Energy Corporation (YEC) submitted an application to YESAB to replace two back-up diesel generators near the Whitehorse Rapids Dam with liquefied natural gas (LNG) burning power plants as well as constructing a fuel storage facility in the area. Costs of the plan are estimated at $34 million.[27] YEC has indicated that it would like the two new generators operational by the fall of 2014. The facility would not use local natural gas resources but would source it from Calgary, Alberta.[28]

Second, in January 2014 the Government of Yukon issued Yukon Electrical Company Limited (YECL) with a licence to install LNG storage and vaporization facilities to modify the existing generator system at the Watson Lake power plant to use a combination of natural gas and diesel fuel to generate electricity.[29] The first phase of the initiative will see the conversion of one of the six diesel-fired electrical generators to a bi-fuel system able to accept natural gas which will be trucked in as LNG from southern B.C.[30] A potential second phase of the project would see the remaining generators modified for bi-fuel use. Even with the granting of the LNG licence, further approvals from the Government of Yukon will be required prior to beginning activities related to construction or operation.[31]

Outlook for Oil & Gas

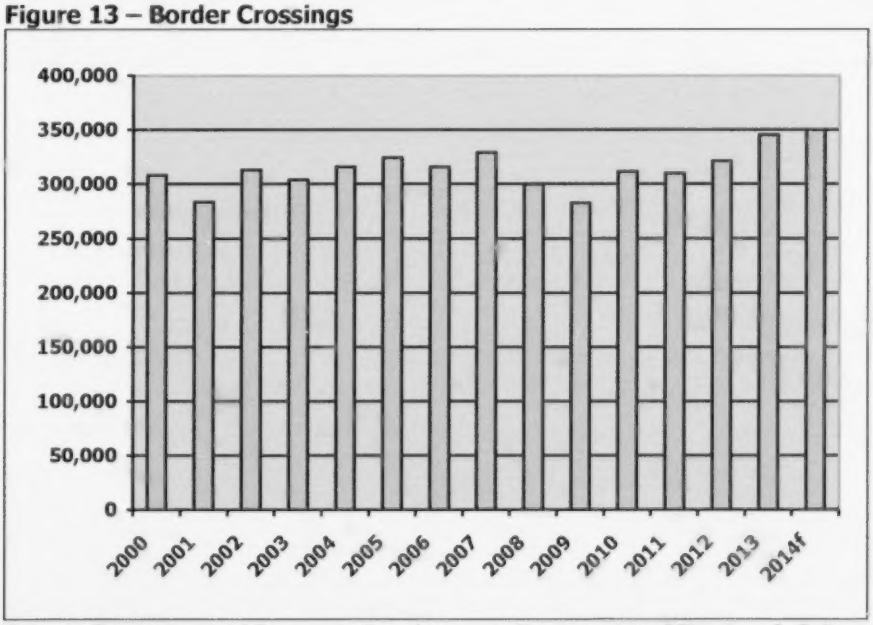
- Continued activities by EFL Overseas Inc. related to restarting production in the Kotaneelee field with expected spending of $25 million in 2014.
- Continued exploration work by Northern Cross (Yukon) Limited in the Eagle Plain Basin in 2014, with a $17-$20 million 3D seismic program.

Tourism

Tourism-related activities support numerous local jobs and a variety of local goods and service providers including retailers, grocery stores, accommodations providers, restaurants, arts and culture as well as providers of sports and recreational activities. Tourism activities are vital to contributing to the diversity of Yukon's economy and important in raising the profile of Yukon and providing valuable marketing of the territory.

International border crossings are used as a measure of the performance of Yukon's tourism sector. Annual border crossings provided by the Department of Tourism & Culture have posted four consecutive years above 309,000, following a 20-year low recorded in 2009.

Figure 13 – Border Crossings



Source: Department of Economic Development; Department of Tourism & Culture

For 2013, visitation is estimated to have grown by 7.6 per cent over 2012, totalling 345,510. Visitation from the U.S. continued to account for the majority of border crossings, with crossings of 230,625 (+6.8 per cent) in 2013 accounting for over 67 per cent of total visitation. With an increase of over 14,000 visitors in 2013, the increase in U.S. visitation accounted for 60 per cent of the total increase in visitation of 24,270. Non-U.S. visitation also increased in 2013, up 9.2 per cent to 114,885. Visitation from other parts of Canada posted very strong growth of 16.9 per cent to 32,607. International travel (excluding US) also posted strong growth, with visitation of 36,657 representing growth of 8.0 per cent. The remaining non-U.S. visitation in 2013 was associated with border crossings of Yukon residents, and at 45,621, which was up 5.1 per cent from 2012.

By mode of transportation, gains were noted in both private vehicle (+7.2 per cent) and motor-coach (+8.0 per cent) in 2013. And at the Erik Nielsen Whitehorse International Airport, the total number of passengers arriving and departing declined slightly in 2013 to 292,598. This decline ended four consecutive years of increasing passenger volumes at the airport.

Looking to the near-term, visitation to Yukon could be positively impacted by the declining value of the Canadian dollar versus the U.S. dollar. Following a period which saw the annual average of the Canadian dollar generally above parity in 2012 and into early 2013, the Canadian dollar has lost ground against the U.S. dollar. At the time of writing, Canada's exchange rate of US$0.9031 was the lowest value recorded in over four years. Most forecasting agencies are calling for a weaker Canadian dollar relative to the U.S. dollar in 2014. The lower dollar could positively impact visitation from the U.S., as the lower dollar means improved purchasing power for U.S. residents.

Visitation to Yukon could also be positively impacted in 2014 by lower fuel costs. Many forecasters are calling for lower year-over-year oil prices in 2014 which could translate into lower fuel prices thereby reducing the costs of operating a motor vehicle and also operational costs of airlines.

Following growth of over 7.0 per cent in 2013, expectations are for more modest growth in 2014 with border crossings expected to total 350,000 representing growth of just over 1.0 per cent.

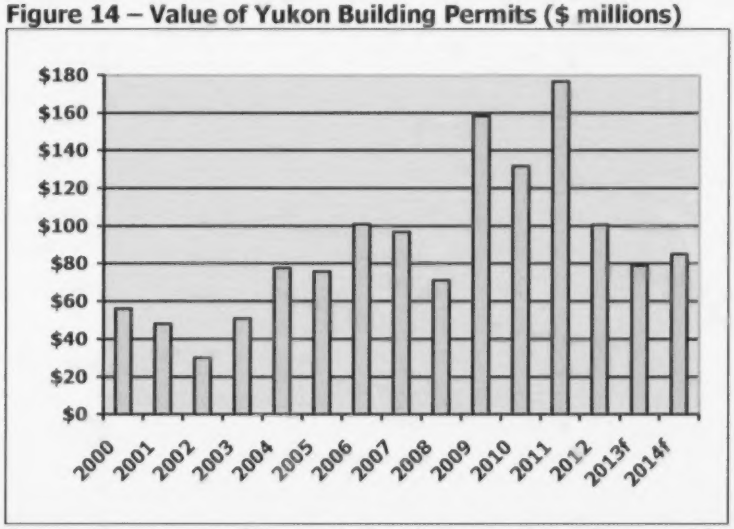
Outlook for Tourism

- Current expectations are for border crossings to grow for a third consecutive year in 2014 to 350,000, which would represent growth of just over 1.0 per cent.

Construction

Recent history has seen strong construction activity in the territory which has been reflected in generally high levels of annual building permit value.

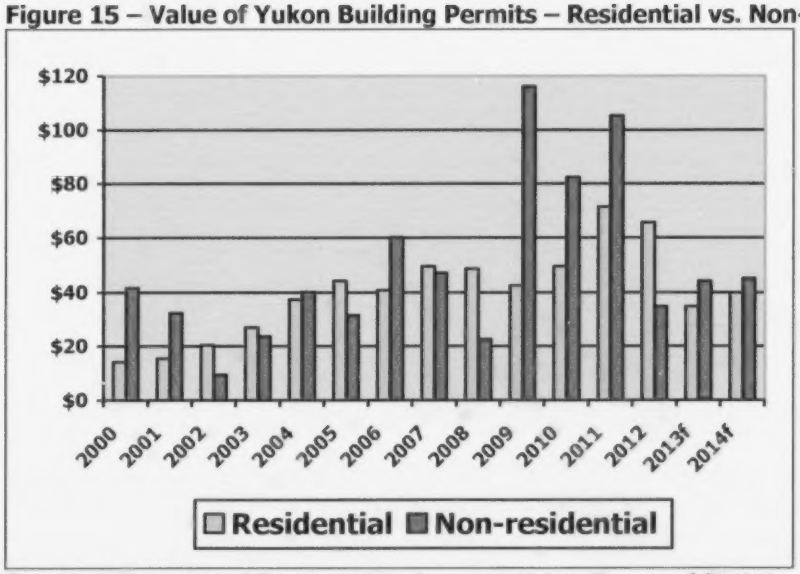
Figure 14 – Value of Yukon Building Permits ($ millions)



Source: Department of Economic Development; Yukon Bureau of Statistics

While both residential and non-residential construction activity in Yukon has been generally strong, non-residential activity has been especially strong in recent years.

Figure 15 – Value of Yukon Building Permits – Residential vs. Non-residential ($ millions)



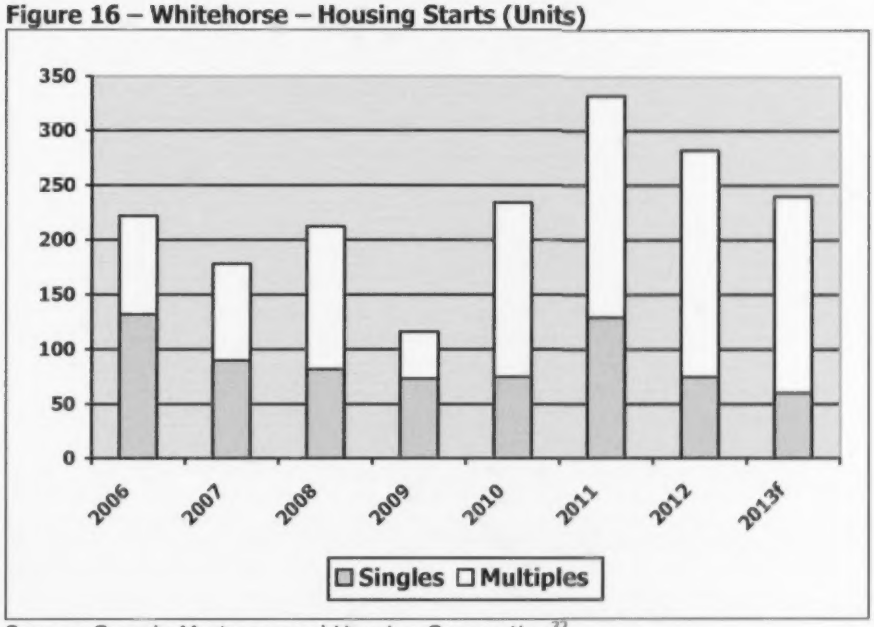
Source: Department of Economic Development; Yukon Bureau of Statistics

Non-residential construction has been supported by mining development activities, particularly the Wolverine and Bellekeno mines, as well as construction related to a number of prominent public projects, such as hospitals (Watson Lake and Dawson City), wastewater treatment facilities (Dawson City, Carcross and Ross River), cultural centres (Kwanlin Dün in Whitehorse and Champagne Aishihik in Haines Junction), as well as key developments in Whitehorse, including a correctional facility, hospital residence, public safety building, and airport expansion.

Residential construction activity has also been robust, as noted in housing start data for Whitehorse. Canadian Mortgage & Housing Corporation (CMHC) housing start data shows that over the four-year period from 2006 to 2009 period there were 728 new housing starts in Whitehorse, versus 848 new housing starts in the three years from 2010 to 2012.

Higher multiple unit starts in the last four years is representative of the efforts of builders to bring more – and more affordable – units to market in a timely fashion. With heightened prices in Whitehorse for single-detached housing, many home buyers are looking for more affordable options, such as row housing or condominiums.

Figure 16 – Whitehorse – Housing Starts (Units)



Source: Canada Mortgage and Housing Corporation[32]

The value of residential building permits as well as the number of Whitehorse housing starts declined in both 2012 and 2013. For 2013, weaker prospects for the global mining sector raised concerns regarding the near-term performance of Yukon's mining sector, prospects for further mining development and what this might mean for Yukon's economy. While still relatively high, lower year-over-year average sales prices for Whitehorse in 2013 appear to reflect some of the uncertainty related to Yukon's mining sector and the possible impacts on the local economy.

Less robust construction activity is noted for 2012 and 2013 and is largely related to the completion of significant mine development work, primarily on the Bellekeno and Wolverine mines, and a several prominent public projects (some of these were supported by stimulus funding following the global economic downturn of 2008 and 2009).

In the next couple of years, expenditures related to further residential construction, in particular the Whistle Bend subdivision, replacement of the F.H. Collins School and development of Victoria Gold and Carmacks Copper mines are expected to contribute to construction activity in Yukon.

Current estimates by the Department of Highways & Public Works have capital spending by the Government of Yukon at more than $80 million in 2014-15. Among the largest contributors to this spending is about $50 million related to highway maintenance and development, $14 million related to work on various airports and airstrips in Yukon and $11 million on government office upgrades and expansions (Main Administration and Yukon Worker's Compensation Health & Safety Board).

New home construction, as well as repairs on existing homes and rentals could be supported by direct capital spending by the Yukon Housing Corporation as well as spending on various housing-related programs. Capital expenditures related to renovation of existing staff housing as well as development of social housing such as the Whitehorse Seniors' Housing Project will contribute to construction

activities in 2014. Program spending on home repair and upgrades, assisting Yukoners in attaining home ownership, helping develop housing for tenants with Fetal Alcohol Spectrum Disorder, and spending related to rental rehabilitation also have the potential to stimulate local residential construction activity going forward.

The City of Whitehorse's Capital Budget notes spending of nearly $13 million, highlighted by $2.6 million spending on drinking water infrastructure, $1.7 million on upgrades of water, sanitary and storm sewer infrastructure, and $1.1 million for planning projects in Whistlebend and Downtown South that support affordable and environmentally sustainable land development projects.[33]

For 2013, building permit value is estimated to have declined to about $79 million, with declines in both residential and non-residential permits. CMHC also notes that housing starts are down for a second consecutive year in 2013, reflecting in part weaker economic growth.

Looking forward, permitting related to the F.H. Collins School, residential construction related to the Whistlebend subdivision and elements related to mine project development are expected to contribute to permit gains in 2014 with a modest increase to about $85 million.

Outlook for Construction

- For 2013, building permit value is expected to have fallen slightly to $79 million, with declines expected in both residential and non-residential permits.
- Housing starts are expected to decline to 240 units in 2013, but remain above the historic average for annual starts.
- The value of building permits is expected to post modest growth and total about $85 million in 2014 with anticipated permitting related to the F.H. Collins School replacement in Whitehorse, continued development of the Whistlebend subdivision and new mine development contributing to the annual total.

Retail Trade

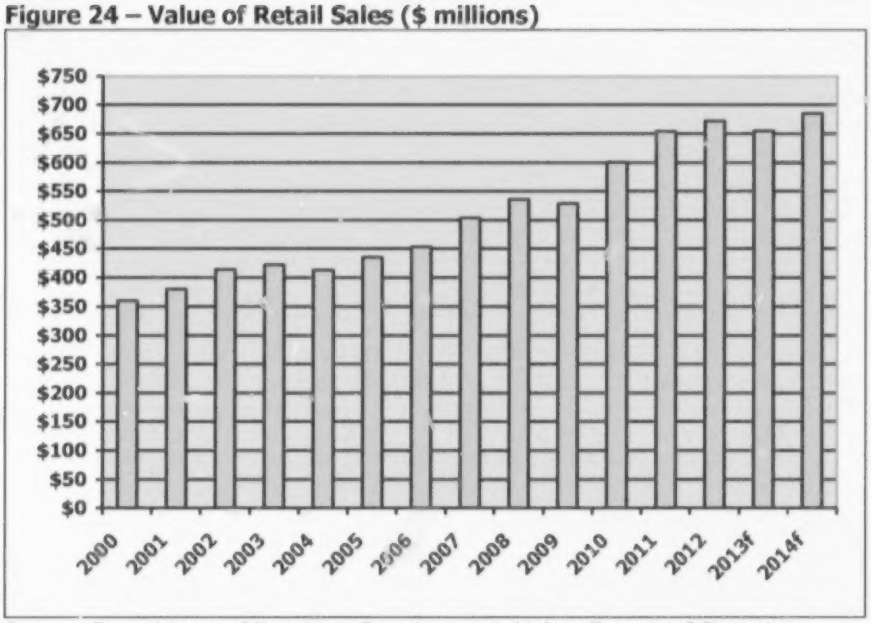
A growing mining sector, increasing population, strong employment numbers and growing household incomes have contributed to recent strength in retail sales numbers. Seasonally unadjusted retail sales of over $671 million in 2012 marked a record value for the territory and the third consecutive year of growth (some growth is the result of higher fuel prices).

Looking at the first 11 months of 2013, the value of retail sales for Yukon totalled about $596 million, down 3.1 per cent from $615 million in the same period of 2012. Lower year-to-date performance in 2013 marks the first time since 2009 that the value of retail sales was down in the first 11 months of the year.

Food and Beverage Stores, the largest segment of retail sales in Yukon at about 30 per cent of total sales, grew slightly to $178 million in the first 11 months of 2013.

Gasoline Stations, the second largest contributor to Yukon retail sales, totalled over $96 million in the first 11 months of 2013, down 3.5 per cent from $100 million in the same period of 2012. Year-to-date declines were also noted in Building Material and Garden Equipment and Supplies Dealers, down 10.6 per cent to $46.3 million, Furniture and Home Furnishings Stores, down 8.0 per cent to $14.1 million and Health and Personal Care Stores, down 4.5 per cent to $28.1 million.

Figure 24 – Value of Retail Sales ($ millions)



Source: Department of Economic Development; Yukon Bureau of Statistics

Given weaker year-to-date performance, the expectation is that retail sales will decline 2.5 per cent to about $655 million in 2013, which would mark the first decline in annual retail sales since 2009.

Beyond 2013, the expectation is that the value of retail sales will return to growth in 2014, growing to over $680 million. Further growth is expected in 2015, with the value of retail sales expected to total over $700 million for the first time in history. While the expectation is for retail sales to return to growth there is uncertainty associated with this forecast, as growth will depend on the performance of Yukon's mining sector.

Outlook for Retail Trade

- The current forecast has the value of retail sales in 2013 falling to $655 million, the first annual decline since 2009.
- The expectation is for retail sales to return to growth in 2014, with the current forecast calling for retail sales to total over $680 million.
- Risks related to possible continued weakness in metal prices and the impact on Yukon's mining sector present a risk for the performance of retail sales in the short-term.

Key Economic Indicators

Indicator	*2012*	*2013f*	*2014f*
Population, Prices, Rates			
Population	36,023	36,700	37,200
CPI Growth Rate^	2.3%	1.7%	2.1%
Overnight Rate	1.00%	1.00%	1.00%
Canada/U.S. Exchange Rate	$1.001	$0.9710	$0.8950
Employment†			
Labour Force	20,400	20,400	20,700
Employment	18,900	19,300	19,500
Unemployed	1,400	1,100	1,200
Unemployment Rate	6.9%	5.4%	5.7%
Economic Output			
Real Gross Domestic Product (millions of chained 2007 dollars)	$2,295 (e)	$2,317	$2,392
Real GDP Growth Rate	3.1%	1.0%	3.3%
Commodity Prices~			
Gold ($US/oz)	$1,668	$1,411	$1,250
Silver ($US/oz)	$31.15	$23.83	$20.50
Zinc ($US/lb)	$0.88	$0.87	$0.89
Copper ($US/lb)	$3.61	$3.32	$3.25
Oil - WTI ($US/bbl)	$94.20	$97.94	$95.00
Natural Gas – Henry Hub ($US/MMBTU)	$2.75	$3.73	$4.10
Mining			
Value of Mineral Production	$509.6 million (p)	$490 million	$510 million
Exploration Expenditures	$233.2 million (e)	$84.6 million	$80 million
Development Expenditures	$98 million (e)	$80 million	$100 million
Construction			
Permitted Building Construction	$100.4 million	$78.9 million	$85 million
Trade			
Value of Retail Sales	$672 million	$655 million	$685 million
Tourism			
Non-resident Border Crossings+	321,240	345,510	350,000

f = forecast, e = estimate, p = preliminary, r = revised, -- = not available
^ CPI increase for Whitehorse only
† annual averages – totals may not total due to rounding
~ annual averages
+ as reported by the Department of Tourism & Culture

Data Sources for Key Economic Indicators Table

Indicator	*Source*
Population	Yukon Bureau of Statistics, Yukon Population Estimates, Yukon Department of Economic Development
Inflation (Consumer Price Index)	Statistics Canada, Consumer Price Index, Yukon Department of Economic Development
Overnight Rate	Bank of Canada (average daily rate), BMO Capital Markets
Canada/U.S. Exchange Rate	BMO Capital Markets
Labour Force Indicators	Statistics Canada, Yukon Labour Force Survey, Yukon Department of Economic Development
Economic Output (GDP)	Statistics Canada, Provincial Economic Accounts , Yukon Department of Economic Development
Commodity Prices	BMO Capital Markets
Value of Mineral Production	Natural Resources Canada Minerals and Mining Statistics Division, Yukon Department of Economic Development
Mineral Exploration Expenditures	Natural Resources Canada Minerals and Mining Statistics Division , Yukon Department of Economic Development
Mine Development Expenditures	Yukon Department of Energy, Mines & Resources, Yukon Department of Economic Development
Tourism Visitation	Yukon Department of Tourism & Culture, Yukon Department of Economic Development
Permitted Building Construction	Yukon Bureau of Statistics, Yukon Department of Economic Development
Retail Trade	Statistics Canada, Yukon Department of Economic Development

Appendix A:
Yukon Medium-term Forecast

Introduction

The Department of Economic Development has historically produced a short-term economic forecast for Yukon, released biannually. The forecast has provided a snapshot of past and current economic conditions, as well as an economic outlook for the year ahead. The primary limitation of this approach is that it has not provided a longer-term view on the economy that could lend itself to strategic economic planning.

The department has contracted with an outside forecasting firm to build an economic model specific to Yukon. This model brings increased rigour to the forecasting process and allows for the development of a medium-term forecast. It also allows for a consistent approach to economic forecasting within government and provides a singular point of reference for planning.

Appendix A builds on the discussion of recent performance and near-term expectations and examines what could unfold for the economy in the medium-term. It is not meant to be a prediction but a discussion on the potential future direction of the economy. Like any forecast, the results depend on the primary assumptions used. In the case of Yukon, the primary driver of the current forecast over the medium-term is the mining sector. Specific assumptions related to the addition of new projects (timing, scale) as well as the assumptions related to the performance of currently producing mines are all key to the forecast results.

Economic Indicators

Gross Domestic Product

Real GDP gains are forecast for both 2013 and 2014, which would represent 11 consecutive years of economic growth for Yukon. For 2015-2019, Yukon's GDP is expected to average $3.0 billion, which would be almost 30 per cent higher than the estimated value of GDP in 2013. Current modelling is calling for average annual growth over the period 2015-2019 at approximately 5.0 per cent.

Gains in GDP are expected to come primarily from activity related to the mining sector, in particular, expenditures related to mining development and higher mineral production.

Production is assumed from an additional four mines:

- Whitehorse Copper – magnetite production beginning in 2014;
- Eagle Gold – gold production beginning in 2016;
- Carmacks Copper – copper, gold and silver production beginning in 2017; and
- Casino Mine – some production of copper, gold and silver in late 2017 but primary production not expected until 2020.

Population

Population growth is projected in both 2013 (1.9 per cent) and 2014 (1.4 per cent), which would mark 13 consecutive years of population growth for Yukon. The forecast is calling for Yukon's annual average population to grow to 40,400 by 2019, representing growth of over 10 per cent from the estimate of 36,700 noted for 2013 (with average annual growth of 1.6 per cent for the 2015 to 2019 period).

Yukon's population in 2019 is forecast to exceed the 2013 estimate of population by 3,700, with the total increase to be split almost evenly between males and females. The most dramatic change from 2013 to 2019 is the increase in the population in the 55-64 and 65+ age cohorts (i.e., the population is ageing). Current modeling calls for an additional 900 people and 2,000 people in the 55-64 and 65+ age cohorts, respectively.

Labour Market

Yukon's labour market is expected to continue to perform well in both 2013 and 2014 with growth in employment and the labour force in both years. Beyond 2014, the forecast calls for strong gains in employment and labour force and a very low unemployment rate for a number of years in the medium-term.

Yukon's labour force is expected to post annual growth out to 2018 before a slight decline in 2019. The labour force is forecast to total a record 23,200 in 2018, over 13.0 per cent higher than the average of 20,400 for 2013.

Annual employment gains are projected out to 2018. Employment is expected to peak at 22,300 in 2018 (16 per cent higher than the average of 19,300 in 2013). Employment gains out to 2018 are forecast in a number of industries with the largest gains noted in trade (+500), mining (+400), professional, scientific & management (+400) and construction (+300).

Yukon's unemployment rate is expected to be variable over the period 2015-2019 but will generally remain low, averaging 4.2 per cent.

Economic Sectors

Mining

The future performance of Yukon's mining sector depends on a number of factors, including global commodity prices, availability of financing, regulatory stability, past performances of projects, mineral prospects elsewhere and global economic growth.

The outlook for Yukon's mining sector in the medium-term is one of continued growth.
Following growth in 2013, and a slight decline in 2014, increased mineral production and significant development spending are expected to contribute to high levels of the mining and oil & gas extraction component of real GDP.

During the period 2015-2019 the mining and oil & gas component of real GDP is expected to peak at over $900 million in 2018, and average almost $825 million (compared to an estimated value of $500 million for 2013).

The forecast includes continued production at Yukon's three existing mines and the addition of development and production from several new mines during the next five years:

- Eagle Gold – development in 2014-2015; production in 2016; estimated capital cost of $430 million; 400 workers during construction; 400+ workers during peak operations
- Carmacks Copper – development in 2015-2016; production in 2017; estimated capital cost of $180 million; 250 workers during construction; 180 workers during operations
- Casino – development in 2016-2019; full production by 2020; estimated capital cost of $2.5 billion; 1,000 workers during construction; 600 workers during peak operations

Given its potential magnitude, the Casino Project would have significant impacts over the medium-term and beyond. With development costs of about $2.5 billion (most development work is forecast for 2016 and 2017) and a requirement for up to 1,000 workers at peak construction, development of this mining property results in substantial economic impacts over the forecast period. The forecast calls for the construction GDP component to grow to almost $440 million in 2016, followed by a contribution of over $450 million in 2017.

This forecast also assumes Alexco Resources Corporation will return to production in 2015, but at a higher rate of production reflecting publically announced plans from December 2013.

For placer mining, the expectation is for annual placer gold production to remain relatively stable over the medium-term, and average 50,000 ounces for 2015-2019.

Because of the variable nature of exploration activity, it is very difficult to forecast future levels of exploration activity. The expectation is that Yukon will continue to be considered a region of high potential which is generally under-explored, meaning potential for further exploration activity.

Finally, construction work related to reclamation of the Faro mine is expected to take about 15 years to complete, at a total cost of $700 million. Over the medium-term, work will ramp up on the reclamation of the site of the former Faro mine with completion and approval of design and engineering plans, followed by the beginning of major construction work.

Oil & Gas

The forecast includes the assumption that the value of oil & gas in terms of GDP will not be significant throughout the medium-term as no new projects are included in the forecast. What transpires in the near-term, 2014 and 2015, could impact the assumptions going forward for oil & gas, including activities related to restarting gas production at the Kotaneelee field as well as exploration activities in the Eagle Plain area.

Natural gas development in the territory in the medium-term will also depend on a number of factors such as the performance of natural gas prices, gas production in other jurisdictions, the level of local exploration and the development climate in Yukon.

Tourism

While not explicitly modeled in the forecast, the expectation is that Yukon border crossings will continue to grow over the forecast period. Border crossings in 2013 posted growth of 7.6 per cent, growing to over 345,000. The current expectation is for further growth of about 1.0 per cent in 2014, resulting in annual border crossings of 350,000.

Beyond 2014, the assumption is that Yukon's border crossings will grow at an annual average rate of 1.0 per cent, which would see Yukon's border crossings approach 370,000 by 2019.

Construction

As noted previously, significant construction growth is expected related to the mining sector, including development of the Eagle Gold, Carmacks Copper and Casino mining projects. Total capital cost of these three projects is estimated at over $3.1 billion.

Activity is also anticipated throughout the forecast period for construction within both the industrial (FH Collins School) and residential (Whistlebend residential) areas.

In terms of construction-related GDP, the forecast calls for the annual value to increase in every year from 2013 to 2017, before posting declines in 2018 and 2019. Construction activity primarily related to development of new mining projects is expected to contribute to very strong growth of 49 per cent and 84 per cent in 2015 and 2016, respectively. At over $450 million in 2017, construction-related GDP would be almost three times the estimated value of $154 million in 2013 and account for over 14 per cent of Yukon's total GDP.

Retail Trade

The forecast calls for a slight decline in retail trade in 2013 followed by six consecutive years of growth. The 2013 decline is in part related to weakness in the local mining sector, with lower levels of exploration and development spending accompanied by layoffs at two of the three producing mines and a temporary shutdown of the Bellekeno mine.

Increases in the size of the overall economy, as well as projected population and employment growth, are expected to contribute to retail sales growth over the medium-term. The forecast calls for retail sales to total over $680 million in 2014, which will be a 4.6 per cent increase from 2013. For the period 2015-2019 annual growth in retail sales is expected to average 6.0 per cent. In the medium-term the value of retail sales is expected to peak at over $900 million in 2019.

Key Economic Indicators – Five-year Economic Outlook

Indicator	2013f	2014f	2019f	Average Annual Change 2015 to 2019
Population	36,700	37,200	40,400	1.7%
Labour Force	20,400	20,700	22,800	2.0%
Employment	19,300	19,500	21,800	2.3%
Unemployment Rate	5.4%	5.7%	4.7%	4.2% (average of annual rate)
Real GDP (chained 2007 dollars, millions)	$2,317	$2,392	$2,977	4.8%
CPI (2002 = 100)[1]	123.0	125.6	140.4	2.2%
Value of Mineral Production ($ millions)	$490	$510	$1,310	23.2%
Value of Retail Sales ($ millions)	$655	$685	$918	6.0%
Non-resident Border Crossings	345,510[2]	350,000	368,000	1.0%

f = forecast, e = estimate, p = preliminary

[1] Data is available for Whitehorse only.
[2] As reported by the Department of Tourism & Culture.

Endnotes

[1] Unless otherwise noted, all data from this section is sourced from International Monetary Fund, *World Economic Outlook - Update (January 2014)* http://www.imf.org/external/pubs/ft/weo/2014/update/01/pdf/0114.pdf

[2] "Monetary Policy Report Summary (January 2014)". Bank of Canada.

http://www.bankofcanada.ca/wp-content/uploads/2013/11/mpr-summary-2014-01-22.pdf

[3] "Bank of Canada maintains overnight rate target at 1 per cent". Bank of Canada.
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[4] In November 2013 Statistics Canada released revised GDP figures for the period 2007 to 2012. The preliminary estimates that were released in the spring of 2013 had the percentage contribution of mining, quarrying and oil & gas extraction at approximately 26 per cent. The revision was related to both changes in the quantity of output as well as overall estimation techniques. Revisions to the provincial-territorial economic accounts from 1981 to 2006 as well as revisions to the provincial-territorial GDP by industry data from 1997 to 2006 were released on Dec. 20, 2013.

[5] Accurate population estimates are not available for the time of the Klondike Gold Rush.

[6] Consumer Price Index data is only available in Yukon for Whitehorse.

[7] Monetary Policy Report Summary (October 23, 2013). Bank of Canada. http://www.bankofcanada.ca/wp-content/uploads/2013/mpr_summary_october2013.pdf

[8] Exploration and deposit appraisal expenditures include on-mine-site and off-mine-site activities; field work, overhead costs, engineering, economic and pre- or production feasibility studies, environment, and land access costs. Expenditures also include only the search for and appraisal of deposits and do not include work for extensions for known reserves.

[9] "Alexco Releases Positive Preliminary Economic Assessment for Expanded Silver Production from Eastern Keno Hill Silver District, Yukon". Alexco Resource Corp. http://www.alexcoresource.com/s/news.asp?ReportID=614976

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[16] "Alexco Releases Positive Preliminary Economic Assessment for Expanded Silver Production from Eastern Keno Hill Silver District, Yukon". Alexco Resource Corp.

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[18] "World Bank Price Commodities Data – January 6, 2014". The World Bank.
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